

Procurement, Strategy and Efficiency

ACS & CT Conference

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Gershon: Doing More for the Same

- Reducing inputs for the same outputs
- Reducing prices for the same outputs
- Greater outputs or improved quality for the same inputs
- Improved ratios of output per unit cost of input
- **Not** 'creative accounting'

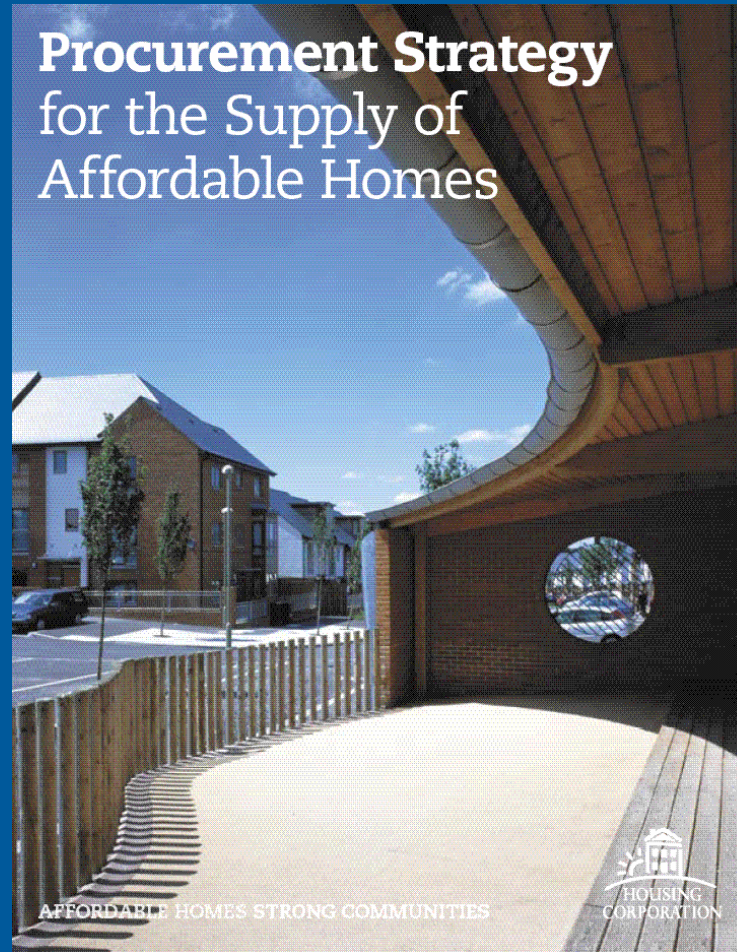
Current Targets

	2005/06 (£m)	2006/07 (£m)	2007/08 (£m)
New Supply	130	140	160
Capital works	2	30	60
Management & Maintenance	35	60	80
Commodity Goods	10	30	55
Affordable housing sector totals (RSL)	177	260	355
Total ODPM target	274	550	835

Progress

	Gains reported for 2004/05 (£m)	Target for 2005/06 (£m)	Predicted gains for 2005/06 (£m)
New Supply	201	130	In the range 130 - 200
RSL management, repair & maintenance	150	47	246

How we want partners to deliver efficiencies



Housing Corporation Procurement Strategy

- The efficiency challenge
- Defining good procurement
- Learning and improving
- Achieving quality
- Assessment tools
- Measuring and evaluating performance

Emphasis on new supply, but....

- Increasingly making the link between investment/development and service provision
- Recognise we have an interest in management and maintenance
- Recognise we have an interest in decent homes
- Revised approach to investment has greater emphasis on asset management
- Recognise that much cutting edge work has been done in repair and maintenance which we want to encourage for development

Learning & Improving

- Learning
 - Housing Forum Report – ‘Partnering in Practice’ (July 2005)
 - 68% of RSLs are partnering with other RSLs
 - 55% have collaborative arrangements through consortia
- Improving
 - Priorities for the affordable housing sector
 - Address lack of certainty
 - Address fragmentation

Action Points

- Consistency
 - Longer programme commitment for strategic sites
- Fragmentation
 - Encourage uptake of supply chain efficiencies e.g. buying clubs
 - Encourage procurement consortia
 - Provide diagnostic tool and best practice via Housing Forum
- Supply chain integration
 - Require 'Method Statement' from Bidders
 - Categorise, identify and monitor take-up
- Whole life costs
 - Identify practicality of improved measure across sectors

Supply Chain Matters

- Identify and promote good practice
- Recognise the variations in approach
- Identify partners demonstrating benefits
- Identify broad categories of SCI and SCM activity within our own programmes

Supply Chain Categories

Cat 1

- a. use of common products and specifications across partners;
- b. consortium buying utilised on at least 25% of new build schemes

Cat 2

- All as Cat 1 but in addition:
- c. benchmarking and continuous improvement targets utilised;
 - d. at least 50% of the supply chain for each scheme are collaborating in agreed performance based efficiency measures

Cat 3

- All as Cat 2 but in addition:
- e. target costing, value management and risk management utilised;
 - f. at least 75% of the supply chain for each scheme are collaborating in agreed performance based measures

Gold Award

- Two themes for 2005/6 – homelessness and innovation in procurement
- Six awards of £50,000 per association
- To identify examples of best and innovative practice and to ensure lessons are effectively shared with the sector
- Down to last 6; decision early May



New approach to investment

- Rigorous and transparent competition
- Treat all bidders – RSLs and non RSLs - fairly
- Ensure equality of outcomes for tenants
- New approach to VfM – Grant Index (GI)
- Did we invest wisely? – Value for Grant Comparator
- Pre-qualification and shortlisting
- Invitation to bid
- Clarification and bid evaluation

Conclusions

- Preliminary results on efficiency savings are encouraging
- Year 1 targets met and in some cases contribute to future years gains
- Challenge is to deliver on the forecasts but particularly to deliver real improvements in front line services
- Corporation needs to ensure efficiencies are delivered and create the conditions to encourage innovation
- Corporation wants to identify and promote instances of best practice
- Corporation has set out its challenge on SCM/SCI



AFFORDABLE HOMES STRONG COMMUNITIES